

FRIDAY, MARCH 18, 2011

Proposed sewer rate hike raises costs 75% by 2016

Suburbs would see average charge go from \$90 to \$157

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Driven by \$3.3 billion in improvements required by the U.S. Environmental Protection Agency, regional sewer district customers will be paying up to about 75 percent higher rates per quarter in 2016 than they are today, according to a five-year

rate increase proposal unveiled Thursday.

Average suburban residential customers will see their quarterly bills go from \$90 this year to \$157 in 2016. The increases will begin next year with \$14 tacked on to the bills and will continue with annual hikes of about 13 percent each year.

Northeast Ohio Regional Sewer District officials will discuss the details of the rate-increase proposal at seven public meetings, the first of which takes place at 7 p.m. April 6, at the Maple Heights Library. The sewer board is expected to vote on

the rate increase in June.

But not all customers in Cleveland and the 61 suburbs that are part of the district will see their rates go up immediately.

The plan presented to the district's board offered relief to roughly one-quarter of the district's customers who are able to conserve, either because they have a small household or they are careful.

Sewer rates are based on the amount of water used. The district now charges for a minimum use of 7,480 gallons of water, even if it is not used. The new plan would do

away with the minimum charge.

For the first two to three years of the rate increase, depending on where a customer lives, these bills will be less than they are today.

"It's been our No. 1 customer complaint," said Finance Director Jennifer Demmerle. "They're paying for more than what they actually use."

Additionally, the sewer district proposal includes increasing the homestead discount from 33 to 40 percent for elderly residents, deputy director Michael Bucci said before the meeting.

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Bucci said the district would like to add a Wastewater Affordability Program that would reduce rates by up to 40 percent for people whose income is at or below 175 percent of the federal poverty level, which is currently about \$35,000 for a family of four.

District officials say that over five years the rate increase will bring in an additional \$319 million in revenue — money they say they desperately need for payment of debt service obligations on their bonds, for operational expenses and for an estimated \$1.2 billion in capital improvements that are scheduled.

Many of those infrastructure improvements result from a \$3.3 billion settlement with the

U.S. EPA that requires the district to better clean wastewater and stop releasing large amounts of untreated sewage. Those mandated improvements must be made over the next 25 years.

But the sewer district also has a large number of other capital projects, such as building \$200 million incinerators which will burn sludge to make energy.

While the EPA settlement is the single-biggest factor in the rate increase, sewer district officials said Thursday that it accounts for slightly more than \$3 of every \$10 needed from the rate increase.

"We absolutely have to have the money to carry out our obligations," Julius Ciaccia, the district's executive director, said before the meeting. "We've already issued bonds. We've got a deal with the government. We've got some big projects aside from the government that we have to carry out."

Ciaccia, who took the helm of

the sewer district in 2007, said that regaining public trust is paramount for the sewer district as it seeks to increase its rates.

Under the old regime, project cost overruns, sometimes costing the district millions of dollars, were common. The sewer district's former attorney, William Schatz, left his post in 2007 just as he became the focus of a federal corruption investigation. He was sentenced last year to nearly six years in prison for taking hundreds of thousands of dollars in bribes from contractors.

"There is big money in the construction projects," Ciaccia said. "And we have significantly changed our practices."

"We now have a three year history of bringing in projects under budget," he added. "We haven't gone back to the board one time for a contract modification."

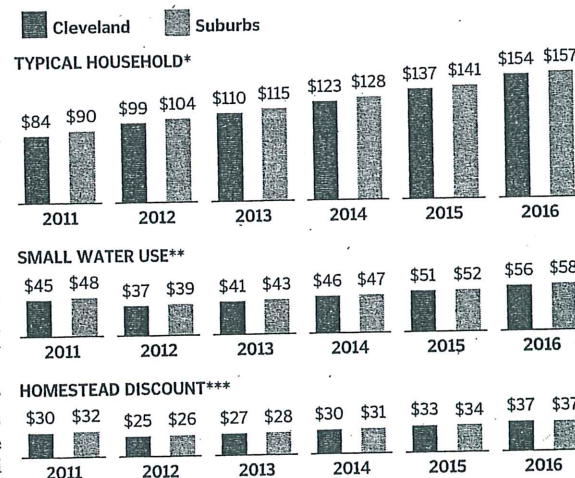
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Regional sewer district proposes rate hike

Officials at the Northeast Ohio Regional Sewer District are proposing a five-year rate hike today, which will begin in 2012.

Quarterly bills under the proposed rate hike for 2012 through 2016 for Northeast Ohio Regional Sewer District customers



* Based on water use of 1.875 Mcf (1 Mcf = 7,480 gallons)

** Based on water use of .63 Mcf

*** For elderly and low-income; based on .63 Mcf

SOURCE: Plain Dealer analysis of Northeast Ohio Regional Sewer District data

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